

Message Text

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SUBJECT: COMMITTEE ON INTERNATIONAL INVESTMENT AND

MULTINATIONAL ENTERPRISES: MEETING MARCH 31-APRIL 1;

BADGER BELGIUM

REF: SMITH/RYAN TELECON MARCH 31

1. FOLLOWING ARTICLE APPEARED IN APRIL 1ST EDITION OF
INTERNATIONAL HERALD TRIBUNE:

QUOTE: HEADLINE CAPTION -- FIRMS' OBLIGATIONS ABROAD
MOOTED AT OECD MEETING --

MARC EYSKENS, BELGIUM'S SECRETARY OF STATE FOR REGIONAL
ECONOMY, INDICATED TODAY THAT PARENT FIRMS ARE LIKELY TO
BE HELD "MORALLY RESPONSIBLE" FOR THEIR OVERSEAS UNITS
UNDER THE "CODE OF CONDUCT" FOR MULTINATIONAL CORPORA-
TIONS ADOPTED LAST JUNE BY MEMBER GOVERNMENTS OF THE
ORGANIZATION FOR ECONOMIC COOPERATION AND DEVELOPMENT.

MR. EYSKENS SAID IN AN INTERVIEW THAT THERE WAS A "LARGE
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MAJORITY" AMONG DELEGATES OF THE OECD COMMITTEE FOR
INTERNATIONAL INVESTMENT AND MULTINATIONAL ENTERPRISES
WHO FELT THAT "A MULTINATIONAL GROUP AS A WHOLE, AND ITS
PARENT IN PARTICULAR, ARE MORALLY RESPONSIBLE" FOR THE
OPERATIONS OF THEIR OVERSEAS SUBSIDIARIES.

THE BELGIAN OFFICIAL ATTENDED TODAY'S MEETING TO PRESENT

WHAT IS GENERALLY RECOGNIZED AS A "TEST CASE" FOR THE OECD GUIDELINES: THE CLOSING DOWN OF BADGER-BELGIUM, A UNIT OF BADGER CO, WHICH ITSELF IS A WHOLLY-OWNED SUBSIDIARY OF RAYTHEON CORP. OF THE UNITED STATES.

BADGER-BELGIUM TERMINATED ITS ACTIVITIES LAST JANUARY AND DISMISSED ITS 250 WORKERS WITHOUT SEVERANCE PAY IN VIOLATION OF BELGIAN LAW.

"I ASKED THE COMMITTEE TO EXPLAIN THE REAL SENSE AND INTERPRETATION OF THE GUIDELINES, AND A LARGE MAJORITY OF THE DELEGATES SUPPORTED OUR VIEW," HE SAID.

THE COMMITTEE WILL NOW HAVE TO ESTABLISH CRITERIA, AND DEFINE THE CASES WHERE MORAL RESPONSIBILITY OF THE PARENT COMPANY SHOULD APPLY, HE SAID. "THE CONSENSUS (AT TODAY'S MEETING) COULD TURN OUT TO BE AN IMPORTANT EVOLUTION IN THE INTERPRETATION OF THE GUIDELINES AND COULD SET A PRECEDENT FOR OTHER CASES," HE ADDED.

MR. EYKENS SAID NOBODY WANTED TO CANCEL THE PRINCIPLE OF RESPONSIBILITY OF A LIMITED LIABILITY COMPANY (SOCIETE ANONYME), AS WAS BADGER-BELGIUM. "BUT THERE ARE CHARACTERISTIC CASES OF MISBEHAVIOR WHICH GO BEYOND THE LIMITED RESPONSIBILITY OF COMPANIES, ESPECIALLY WHEN ALL THE DECISIONS, INCLUDING THE CLOSURE OF A COMPANY, IS MADE BY THE PARENT FIRM," HE SAID.

ACCORDING TO LABOR UNION ESTIMATES, SEVERANCE-PAY CLAIMS UNCLASSIFIED

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AGAINST BADGER-BELGIUM AMOUNTS TO ABOUT 200 MILLION FRANCS (APPROXIMATELY \$5 MILLION). THE COMPANY'S ASSETS IN ANTWERP AMOUNT TO ABOUT 100 MILLION FRANCS.

NEGOTIATIONS WITH BADGER ARE CONTINUING.

U.S. SOURCES, WHO DECLINED TO COMMENT ON THE BADGER CASE POINTED OUT THAT THE OECD COMMITTEE IS NOT IN A POSITION TO JUDGE A SPECIFIC CASE.

THE BUSINESS AND INDUSTRY ADVISORY COMMITTEE TO THE OECD NOTED THAT THE OECD IS NOT A COURT. END QUOTE.
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